

Budget deficit now put at \$10 billion

GOP plans to restore half of governor's proposed cuts for education.

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Gov. Arnold Schwarzenegger said Thursday the state budget deficit will be "probably more than \$10 billion" in the next fiscal year as the state takes in lower than expected revenues in a flagging economy.

A \$10 billion gap would be at least \$1 billion more than previously predicted for the fiscal year that begins July 1.

The Republican governor, addressing a district attorneys' conference in Sacramento, blamed budget formulas that lock in spending increases and a downturn in the economy related to problems in the housing market.

"This is why we have to make all kinds of cuts across the board, if it is in education, law enforcement, health care, all those different things, because we cannot spend what we don't have," Schwarzenegger said.

At the same time, Republican lawmakers unveiled a plan that would restore about half of the \$4.8 billion reduction the governor proposed for education. The GOP plan, outlined by Assembly Republican leader Mike Villines and the Senate's new GOP leader, Dave Cogdill, would give schools more than they're getting this year but less than they're entitled to under the state's constitutional school funding guarantee.

"Oftentimes Republicans seem to get labeled as if they're not pro-education, and we have been," Villines said.

The Republican plan would delay funding new education programs, use unspent cash from existing school accounts, shift more money from public transit and cut other state programs – a move that drew sharp criticism from Democrats.

Assemblyman John Laird, the Assembly Budget Committee chairman, said the GOP plan proposed further cuts to social and welfare programs – even more than the governor intended.

"To say we'll cut things the governor has already slated for a 10 percent cut on a deeper basis ... doesn't really work," Laird said.

Laird, D-Santa Cruz, said the GOP proposal was misleading because it doesn't provide for cost-of-living pay increases to teachers.

The governor is scheduled to release his revised budget proposal May 14 that accounts for updated tax revenue numbers.

His January plan assumed the deficit would be \$14.5 billion. Legislative Analyst Elizabeth Hill later upped the number to \$16 billion.

Lawmakers then authorized more borrowing, delayed some debt payments and made other fixes to close the gap to about \$9 billion for the fiscal year that begins July 1.

Schwarzenegger on Thursday reiterated his opposition to tax increases but renewed his call for legislators to get creative to find revenues. He once again expressed interest in leasing the California Lottery.